

Remarks

Reconsideration of this Application is respectfully requested. Claims 1-26 are pending in the application, with 1, 13, 20, and 23 being the independent claims. Claims 1, 13, and 20 are sought to be amended. Claims 23-26 are sought to be added. Claims 1, 13, and 20 have all been amended to specifically recite that the funds are actively managed exchange traded funds, and to recite the step of checking the accuracy of the decrypted fund portfolio by comparing a valuation calculation performed with the decrypted fund portfolio with the published NAV. This step is supported by the disclosure of the specification at page 7. New claim 23 recites an alternative checking step that is also supported by the disclosure of the specification at page 7. New claims 24-26 are directed to testing for evidence of tampering with the computer system or data to ensure security and secrecy. Support for these claims is found in the specification at page 12. Entry of these amendments is respectfully requested. The Applicants submit that the following arguments establish that the application is in condition for allowance.

The Invention

The invention presently claimed relates to methods to allow the trading of actively managed exchange traded funds (AMETFs). Currently, actively managed funds are not traded on exchanges. Funds that are traded on exchanges are not currently actively managed, but rather are designed to track an index (e.g., the S&P 500 Index) by investing substantially all fund assets in the same securities that underlie the index. Traders know the fair value of these index funds (“exchange traded funds” or ETFs) because they know what securities the funds are invested in. Current actively managed funds, on the other hand, are not exchange traded in part because their assets are kept secret and so their intra-day fair value is unknown to traders.

In order to provide a trading system that would allow exchange trading of shares of actively managed funds, there would need to be provided an intra-day (e.g., every 15 seconds) indication of the value of the fund shares on which traders may base negotiated prices for the fund shares. This difference between ETFs and the present invention, involving AMETFs, provides an important distinguishing feature of the present invention from the ETFs discussed by the Examiner in Paper No. 16, pages 3-4.

The presently claimed invention solves the problem of how to provide an indication of the intra-day value of the shares of an actively managed fund without disclosing the identity of the underlying securities in the fund. The invention solves this problem by using encryption methods. The Applicant acknowledges that encryption by itself is known in the art. However, the Applicant submits that encryption has not previously been applied to solve the problem of how to provide an intra-day valuation of actively managed exchange traded funds.

The novelty of this solution is emphasized in the pending claims, which explicitly recite that the systems and methods are directed to “actively managed exchange traded funds.” Furthermore, the claims involve a checking step that is unique to AMETFs: the comparison of a calculated value with a published net asset value (NAV). Currently, actively managed funds publish a net asset value (NAV) for the fund at the close of each trading day based on that day’s closing prices of the securities held by the fund at the close of the previous trading day. In the claimed invention, a net asset value of the AMETF is also published, and this published value is compared against a value calculated using the decrypted AMETF portfolio as a check of the accuracy of the decrypted portfolio. No prior art cited by the Examiner teaches or suggests applying encryption technologies to solve the problem of how to provide an intra-day valuation of an actively managed exchange traded fund, or involves the step of checking a decrypted AMETF portfolio.

In addressing the Applicant’s arguments, the Examiner asserted that “it would have been obvious to a person of ordinary skill in the art at the time the invention was made to receive a file having encrypted data and decrypting the file having any type of content, because such data does not functionally relate to the steps in the method claimed....” (Paper No. 16, page 3). The Applicant respectfully submits that the claims as currently amended address this argument. The recitation of the step of checking the decrypted file by comparing a value calculated based on the decrypted file to the published NAV does in fact functionally relate the decryption step, the checking step, and the type of data encrypted. It is specifically an *actively managed exchange traded fund* (related to the encrypted data), with its published NAV, that is used for comparison.

Based on these distinctions over the prior art, the Applicant respectfully requests that the Examiner reconsider all rejections, and that the rejections be withdrawn.

Rejections Under 35 U.S.C. § 103

1. The Rejection of Claims 1, 2, 8-11, 13, 14, 17-19, 20, and 22 Over Kane In View Of Newton Should Be Withdrawn.

The Examiner rejected claims 1, 2, 8-11, 13, 14, 17-19, 20, and 22 under 35 U.S.C. § 103(a) as allegedly having been obvious from the combination of U.S. Patent Number 6,317,728 (“Kane”) in view of Newton’s Telecom Dictionary (“Newton”). The Applicants request reconsideration of this rejection and that it be withdrawn.

As set forth above, the present claims are directed to systems and methods to allow trading of AMETFs. The step of checking the decrypted AMETF portfolio by comparing a valuation using the decrypted portfolio against the published actively managed exchange traded fund NAV ties the claimed method to the specific encrypted AMETF portfolio data. Nothing in Kane, Newton, or the combination teaches or suggests such a method. The Applicant thus respectfully requests that this rejection be reconsidered and withdrawn.

2. The Rejection of Claims 3, 4, 15, and 16 Over Kane and Newton in view of Wolfberg Should Be Withdrawn.

The Examiner rejected claims 3, 4, 15, and 16 under 35 U.S.C. § 103(a) as allegedly having been obvious from the combination of U.S. Patent Number 6,317,728 (“Kane”) and Newton’s Telecom Dictionary (“Newton”) in view of U.S. Patent No. 5,214,579 (“Wolfberg”). The Applicants request reconsideration of this rejection and that it be withdrawn.

The present claims are directed to systems and methods to allow trading of AMETFs. The step of checking the decrypted AMETF portfolio by comparing a valuation using the decrypted portfolio against the published actively managed exchange traded fund NAV ties the claimed method to the specific encrypted AMETF portfolio data. Nothing in Kane, Newton, or the combination teaches or suggests such a method. The rejection cites Wolfberg for an alleged

teaching that a “portfolio is adjusted to reflect any transactions made on the prior trading day. Fig. 15A-B.” (Paper No. 16, page 8). While portfolio adjustments may have been known in the art, it is certain that portfolio adjustments of AMETFs in order to calculate and publicize intra-day values of shares of AMETFs in the claimed systems and methods was not known. And Wolfberg certainly does not provide the teaching or suggestion lacking in the Kane/Newton combination of comparing a valuation using a decrypted AMETF portfolio to a published NAV.

3. The Rejection of Claims 5-7 and 21 Over Kane and Newton in view of Atkins Should Be Withdrawn.

The Examiner rejected claims 5-7 and 21 under 35 U.S.C. § 103(a) as allegedly having been obvious from the combination of U.S. Patent Number 6,317,728 (“Kane”) and Newton’s Telecom Dictionary (“Newton”) in view of U.S. Patent No. 5,875,437 (“Atkins”). The Applicants request reconsideration of this rejection and that it be withdrawn.

The present claims are directed to systems and methods to allow trading of AMETFs. The step of checking the decrypted AMETF portfolio by comparing a valuation using the decrypted portfolio against the published actively managed exchange traded fund NAV ties the claimed method to the specific encrypted AMETF portfolio data. Nothing in Kane, Newton, or the combination teaches or suggests such a method. The rejection cites Atkins for a “trusted system [that] is a physical hardware and operating system configuration in which domain configuration and trust relationships are established to determine access to information in the trusted system.” (Paper No. 16, page 10). While trusted systems may have been known in the art, what was not known or suggested was a trusted system as part of a system to allow trading of AMETFs. And nothing in Atkins provides the teaching or suggesting lacking in the


Kane/Newton combination of comparing a valuation using a decrypted AMETF portfolio to a published NAV.

Conclusion

All of the stated grounds of objection and rejection have been properly traversed, accommodated, or rendered moot. Applicants therefore respectfully request that the Examiner reconsider all presently outstanding objections and rejections and that they be withdrawn. Applicants believe that a full and complete response has been made to the outstanding Office Action and, as such, the present application is in condition for allowance. If the Examiner believes, for any reason, that personal communication will expedite prosecution of this application, the Examiner is invited to telephone Michael Stimson at (202) 383-6906.

Prompt and favorable consideration of this Amendment is respectfully requested.

Respectfully submitted,



Michael J. Bell (Reg. No. 39,604)
Michael J. Stimson (Reg. No. 45,429)

Date: July 20, 2004

HOWREY SIMON ARNOLD & WHITE, LLP
Box No. 34
1299 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2402
(202) 783-0800